



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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Chief Administrative Officer

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December 20, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**PLANNING FOR REPLACEMENT OF THE KENNETH HAHN HALL OF
ADMINISTRATION (ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the approval of the recommended actions is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) and Section 15262 of the State CEQA Guidelines.
2. Approve further planning activities to replace the Kenneth Hahn Hall of Administration, with Parcel W-2 (currently Auto Park 26) as the preferred site for the replacement facility.
3. Approve development of a Request for Proposals for a space programmer, and authorize the Chief Administrative Officer to enter into the resulting agreement, to further determine the size of the replacement building (or buildings).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended actions are the second step in a multi-step process to plan for the repair or replacement of the Kenneth Hahn Hall of Administration (HOA). The first step in the planning process has been completed: a high-level review of the space needs of the HOA's occupants, and a review of potential sites for replacement, including the costs

associated with each site as well as the cost for a structural upgrade of the existing HOA. The site preferred by my office for a replacement facility is Parcel W-2, the current site of the County's Auto Park 26. This site is currently scheduled to be developed as an office tower by the Related Companies as Phase III of the Grand Avenue Project. The opportunity now exists to incorporate a replacement HOA into the Grand Avenue Project.

The recommended actions do not address the ultimate fate of the existing HOA. There are a number of possibilities that could ensue if it is ultimately decided that the current occupants would move to a replacement facility, as is recommended herein. Possibilities could include: later seismic upgrade of the existing structure and backfill with other County staff who are currently in leased space; reconfiguration of the building, possibly into two buildings, and backfill as appropriate; or demolition of the structure and expansion of the planned Civic Park. Because it is unlikely that the HOA would be vacant in less than five years, a decision about the building does not need to be made in order to move forward with considerations for relocating the current staff.

Implementation of Strategic Plan Goals

The recommendations herein are consistent with the Countywide Strategic Plan goals of service excellence and fiscal responsibility (Goals 1 and 4). The recommendations will provide the basis for future Board actions which, as envisioned, will culminate in the completion of a suitable replacement facility for the HOA.

Strategic Asset Management Principles Compliance

The recommendations herein are consistent with the Strategic Asset Management Principles, which prescribe consolidation and centralization of central support functions and space planning that utilizes consistent building and space guidelines.

FISCAL IMPACT/FINANCING

As summarized in Attachment II, the "Kenneth Hahn Hall of Administration: Strategic Real Estate and Facilities Options" report identifies various options for retrofit or replacement of the HOA ranging from \$187 million to \$274 million. These capital costs could be financed with a combination of cash and long-term financing for a period of time of up to 30 years,

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and would be offset to a certain extent by savings in the more efficient operation of the new building as compared with the current HOA.

Approval of the recommended actions in this letter is expected to result in the development of a detailed space program for a new HOA. Based on previous space programming activities, it is anticipated that a contract for replacement HOA programming will be in the range of \$200,000, given the size and complexity of the task. Funding is available in the current year budget for these costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since the Northridge Earthquake, the County has been aware of the future need for a significant seismic and interior design upgrade of the HOA or its replacement. Designed in the late 1950s and completed in 1960, the HOA has housed the Board of Supervisors and the County's central services departments including the Assessor, Auditor-Controller, Chief Administrative Office, County Counsel, Department of Human Resources, and Treasurer and Tax Collector, as well as various other departments.

The state of the art in building infrastructure and other design issues have been so improved in the last 45 years that the HOA has become an outmoded, inefficient building by today's standards, with operational costs far exceeding the costs of newer, more efficiently designed buildings. Additionally, as the County has grown, space requirements for County departments have also expanded, such that these departments have all outgrown their space in the HOA, and all have staff outstationed in leased facilities in the Civic Center or elsewhere within the County. Seismic activity has to some extent compromised the integrity of the structure of the HOA. While the HOA is expected to withstand another sizeable earthquake, the concern is that the building would need to be vacated while repairs are made. The cost of relocation of staff during construction is considerable and should be avoided if possible.

With the sale of Parking Lot 20 (now the Cathedral of Our Lady of the Angels), the development of Parcel K (now the Walt Disney Concert Hall), and the planned development of Parcels Q and W-2 as part of the Grand Avenue Project, the options in the Los Angeles Civic Center area for a replacement site for the HOA are diminishing. At the same time, the Grand Avenue Project presents an opportunity to use Parcel W-2 as the replacement site for the HOA. As plans for the Grand Avenue Project proceed, the

opportunity for a new HOA to be incorporated into that project will diminish. Thus, we believe that planning for the HOA's upgrade or replacement should move forward accordingly.

Options to Repair the Hall of Administration

In conjunction with the litigation with the earthquake insurance providers, in 2004, the Department of Public Works joined with outside consultants to review the cost of repairing the HOA. That review concluded that the cost would depend on the level of repair contemplated and would result in the following additions to the useful life of the existing building as follows:

- Structural Repair-in-Kind: an additional 5 to 10 years of useful life, costing in the range of \$66 to \$83 million;
- Structural Repair of all Damaged Elements with No Code Upgrade: an additional 10 to 20 years of useful life, costing in the range of \$147 to \$167 million;
- Full Structural Code Repair and Upgrade: re-establish full 50 to 100 year useful life, costing in the range of \$279 to \$318 million.

The level of repair and the associated costs are more fully described in Attachment I. Each cost estimate includes an allocation for relocation of staff and operations of the HOA. These range from a minimum of \$15 million for the least intrusive repair to \$110 million for the most extensive. The cost estimates were prepared in 2004 and would need to be escalated due to the run-up in construction costs experienced in the last two years, as well as for cost increases that may be anticipated before the project could be undertaken.

Strategic Real Estate and Facilities Options Report

The "Kenneth Hahn Hall of Administration: Strategic Real Estate and Facilities Options" report, prepared for the County by Asset Strategies and summarized in Attachment II, provides a review of four downtown sites for a potential replacement facility and the aggregate space needs of the HOA's occupants. The sites considered are:

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- the Former State Building Site on the north side of First Street between Broadway and Spring Street;
- the Law Library Site on the north side of First Street between Hill Street and Broadway;
- Parcel W-2 on the south side of First Street between Olive and Hill Streets; and
- the Hall of Justice on the north side of Temple Street between Broadway and Spring Street.

Each of these sites includes an alternative option (or, for the smaller sites, the requirement) for a separate, additional building to separately house the Assessor, Auditor-Controller, and Treasurer and Tax Collector. In addition, a review of the cost for a seismic and interior upgrade of the current HOA is included.

The CAO's preferred options are either Option 5 or Option 6 as both involve the use of Parcel W-2.

Next Steps in Planning

In order to more accurately assess the viability of the preferred option and its potential cost, it is recommended that the CAO retain the services of a space planning consultant. The consultant would develop specific space requirements for each department, including staff space, support space, meeting rooms and other areas appropriate to the County's central governance and administration headquarters, including the three "finance" departments that the report on options shows separately.

As this option is further explored, the space programming analysis may show that it may be both cost-effective and more productive to consolidate some of the staff that are currently outstationed in leased space back into the replacement facility. Alternatively, it may be shown to be more cost-effective to outstation certain staff that are currently located in the HOA, or a combination of the two. As part of the space programming analysis, the need for various departmental staff to be in the replacement building will be reviewed, as well as savings from cancellation of existing leases. This analysis will result in a final space program for the replacement facility. With the final space program in hand, CAO staff will

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develop an economic analysis of that program on the preferred site and return to your Board for direction on the next steps toward implementation of the project.

If your Board approves the preferred site of the new Administration building as Parcel W-2, then the County and Related Companies, the developer for the Grand Avenue Project, will need to negotiate how the County's use of W-2 will impact the Project. The Grand Avenue Implementation Plan as approved by your Board on August 9, 2005, requires that the ground lease for Phase III of the Grand Avenue Project (that is, Parcel W-2) be executed within 60 months of the execution of the Disposition and Development Agreement, which is anticipated to be brought to the Board in the fall of 2006. Thus, the space program needs to be developed and recommendations made, so that a final decision can be made by your Board to proceed with development on Parcel W-2 within a time frame that will allow the developer to meet its obligations for the ground lease. That time frame is currently under negotiation with the developer.

At the request of the Superior Court, we have been reviewing options for locating a replacement for the Stanley Mosk Courthouse, located at Grand Avenue and First Street. In the event the decision is made to use Parcel W-2 for the HOA, then one or more of the remaining sites in the Civic Center could be made available for a replacement courthouse. We believe collaborating with the Superior Court on the identification of a Civic Center site is a mutually beneficial approach. Accordingly, the County's space planner would be utilized in this effort.

ENVIRONMENTAL DOCUMENTATION

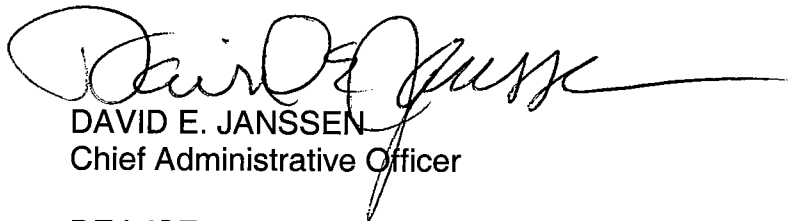
The recommended actions are exempt from CEQA pursuant to Section 15262 and Section 15061(b)(3) of the State CEQA Guidelines because the actions involve planning for future actions which your Board has not approved, and because it can be seen with certainty that approval of this planning process will not, in itself, affect the environment. The Environmental Impact Report that is being developed by the Grand Avenue Authority as lead agency for the Grand Avenue Project, which includes Parcel W-2, will include environmental review of that site for office (as well as residential) uses, consistent with the approved Implementation Plan for the Grand Avenue Project. Following certification of that EIR by the Authority, the County and the Community Redevelopment Agency of the City of Los Angeles will be required to consider adoption of the EIR as responsible agencies for CEQA compliance.

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IMPACT ON CURRENT SERVICES (OR PROJECTS)

Replacement of the Kenneth Hahn Hall of Administration will provide a more efficient, modern facility for the County's central services for the foreseeable future. Replacement of the HOA will certainly disrupt operations that are currently located therein. However, through careful planning, that disruption can be limited to the time surrounding the actual relocation, and furthermore, the disruption will be far less than would potentially be caused if the occupants of the HOA could not return following a significant earthquake.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:JSE

MV:rr

Attachments

c: County Counsel
Auditor-Controller
Department of Public Works
Internal Services Department
Grand Avenue Authority

Options to Repair the Hall of Administration

The following chart summarizes the cost analysis prepared by the Department of Public Works in May 2004 for three different repair scenarios for the Hall of Administration. Costs have not been escalated since that estimate was made. A summary of the criteria and assumptions used in developing the three scenarios is as follows:

1. Structural Repair-in-Kind (5-10 year useful life)

- The useful life of the building is not affected or extended.
- Repair scope for the project is limited to construction methods that simply repair the visibly damaged, accessible structural elements "in-kind" for the purpose of maintaining such materials in good or sound condition.
- This level of repair is meant to restore the building to its pre-event condition with no engineering analysis (these repairs would include epoxy repair of cracks, removal of interior architectural finishes at locations where epoxy is to be applied, and certain exterior architectural impacts associated with surficial damage repairs).
- Costs of Code-required accessibility features for disabled persons (ADA) are included.
- Costs associated with relocation of staff to accommodate the repairs have been included.
- No strengthening or upgrading of structural elements is included.
- No removal of major mechanical, electrical, plumbing (MEP) or similar building systems to gain access to damaged structural elements is included.

2. Structural Repair of all Damaged Elements with No Code Upgrade (10-20 year useful life)

- The useful life of the building would be extended.
- Repair scope for each project would be based on an engineering analysis that uses recognized standards for the evaluation of existing buildings (engineering standards would include design criteria for site ground motion, strength and stiffness of existing structural elements, load paths, and demand versus capacity).
- Work performed would include the strengthening and/or addition of lateral load-bearing elements, structural repair of damaged vertical load-bearing elements, repair of critical ties and connections associated with damaged structural members, as well as removal and replacement of architectural finishes and MEP systems to gain access to areas of structural repair.
- Structural repairs would not meet current code force levels.

- Costs of Code-required accessibility features for disabled persons (ADA) are included.
- Costs associated with relocation of staff to accommodate the repairs have been included.

3. Full Structural Code Repair and Upgrade (re-establish full 50-100 year useful life)

- Original useful structural life of the building would be re-established.
- Entire building would be strengthened to comply with the force levels and connection requirements of the current Building Code.
- A complete structural analysis is required and must incorporate all of the minimum code-required design criteria and construction requirements in effect for new buildings.
- Construction work required to achieve this level of performance in a building that pre-dates the 1976 Building Code is considerable.
- All architectural, fire and panic safety, and MEP systems would be upgraded to current Code compliance.
- Costs of Code-required accessibility features for disabled persons (ADA) are included.
- Costs associated with relocation of staff to accommodate the repairs have been included.

		Max	Min
Option 1: Structural Repair in Kind			
Repair Estimate Range	\$	56,448,788	\$ 45,200,000
Title 24 Compliance		<u>11,300,000</u>	<u>5,600,000</u>
Subtotal	\$	67,748,788	\$ 50,800,000
Relocation		<u>14,900,000</u>	<u>14,900,000</u>
Total	\$	82,648,788	\$ 65,700,000
Option 2: Structural Repair with no Code Upgrade			
Repair Estimate Range	\$	107,471,897	\$ 86,900,000
Title 24 Compliance		<u>14,761,279</u>	<u>14,761,279</u>
Subtotal	\$	122,233,176	\$ 101,661,279
Relocation		<u>45,000,000</u>	<u>45,000,000</u>
Total	\$	167,233,176	\$ 146,661,279
Option 3: Full Structural Code Repair and Upgrade			
Repair Estimate Range	\$	193,067,945	\$ 154,500,000
Title 24 Compliance		<u>14,761,279</u>	<u>14,761,279</u>
Subtotal	\$	207,829,224	\$ 169,261,279
Relocation		<u>110,000,000</u>	<u>110,000,000</u>
Total	\$	317,829,224	\$ 279,261,279

**Review of the Options in the November 2005 Report “Kenneth Hahn Hall of Administration: Strategic Real Estate and Facilities Options”
Prepared for the County by Asset Strategies**

In each of the options presented in the report entitled “Kenneth Hahn Hall of Administration: Strategic Real Estate and Facilities Options,” it was assumed that the current staff who are located in the HOA, according to the County’s payroll/personnel data base, would remain in the new building(s), and that space would be allocated based the County’s space standards. While these assumptions will certainly be adjusted based on more in-depth review, they provide a consistent basis on which to evaluate the options.

Option 1: Seismic and Interior Retrofit of the Hall of Administration (\$274 million)—This option is the most expensive option, in large part due to the assumption of a temporary (three-year) relocation of occupants while the work is being accomplished. In addition, as the downtown office market tightens (as predicted by real estate analysts), it may be difficult to find sufficient space, even by spreading employees through a number of buildings. This option will be extremely disruptive during the temporary relocation. Finally, while the retrofit project will improve building efficiency to some extent, the ongoing operating costs of Option 1 are likely to remain higher than operating costs in the other options.

Option 2: Former State Building Site (\$223 million)—The site of the old State Building, which has been demolished, is well located and currently vacant except for the building pad and some subterranean parking. However, the State and County each own an undivided half-interest in a larger property, encompassing this site and Auto Park 11, the latter of which is slated to become part of the new Civic Park in conjunction with the Grand Avenue Project. The State has not made it clear to the County how they intend to use or dispose of their interest in the larger property; thus, there is a risk that the option may not be a viable one. Furthermore, the current ownership agreement with the State may require a division of the property, such that the State would own the southerly portion outright. We are currently negotiating with the State in regard to the northerly portion of the site, which is planned for use as part of the new Civic Park being developed in conjunction with the Grand Avenue Project.

Option 3: Former State Building Site and a separate Finance Building (\$187 million)—This option is similar to Option 2, except that the tax and finance departments would be located in a separate building, such as on County-owned property in Chinatown. Its lower cost as compared with Option 2 is the result of the reduced cost associated with a simpler building, and the assumption that the finance departments could use existing parking in the County-owned Chinatown Garage.

Option 4: Law Library and a separate Finance Building (\$271 million)—The Law Library option is similar to Option 3 (the Former State Building site with a separate finance building), except that it is assumed that parking will be below grade. Although the County has a reversionary interest in the Law Library site, the Los Angeles County Law Library, a governmental entity separate from the County, retains the right to the property as long as it maintains a law library on the site. Therefore, not only would the County have to negotiate for the use of the site with the Law Library Board of Trustees, but we believe that provisions would need to be made for a replacement facility for the Law Library, resulting in the higher cost for Option 4.

Option 5: Parcel W-2 (\$221 million)—This option is similar to the Option 2 (the Former State Building site), except that it is assumed that parking can be provided partially above and partially below grade. The lower cost as compared with Option 2 is strictly for that reason, but the option is better also because Parcel W-2 is unencumbered by a partial State ownership, and is better located relative to Auto Park 18 (the Mall Garage), such that the costs could potentially be further reduced through use of the Mall Garage. Finally, the location is closer to other County-owned parcels such as the Walt Disney Concert Hall and the Music Center, and is centrally located at a Metrorail station, further encouraging the use of public transportation, and in the exciting new developments of the Grand Avenue Project.

Option 6: Parcel W-2 and a separate Finance Building (\$187 million)—Like Option 3, this option places the tax and finance departments in a separate, lower-cost building on a County-owned parcel with existing parking. Because both sites (Parcel W-2 and the Finance Building parcel) are assumed to be County-owned sites, this is the lowest cost option. Furthermore, use of a second site (the Finance Building parcel) may become necessary if further planning reveals that Parcel W-2 cannot reasonably accommodate the needs that may be programmed for the HOA's replacement.

Option 7: Hall of Justice and Assessor's Building (\$215 million)—Although the Hall of Justice is currently being considered for the Sheriff, District Attorney, and other County departments, it is worth considering as a replacement facility for the Board of Supervisors and the central service departments. Preliminary information suggests that retrofit of the Hall of Justice may be somewhat more expensive than construction of a new building. In addition, the analysis shows that the Hall of Justice is large enough to accommodate some of the finance group, such that a supplemental building to hold the staff that cannot be accommodated in the Hall of Justice can be made smaller, with staffing in that building limited to Assessor employees. The limitation of Option 7 is that it precludes centralization of the Sheriff and outstationed staff in the District Attorney into the Civic Center area, unless one of the other options discussed herein were chosen for that group.